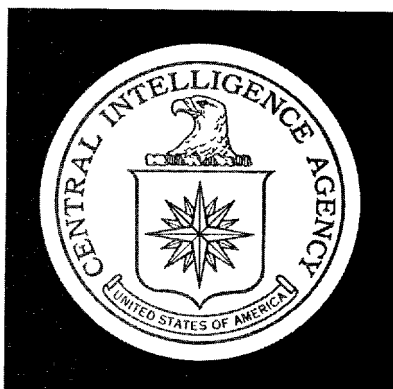


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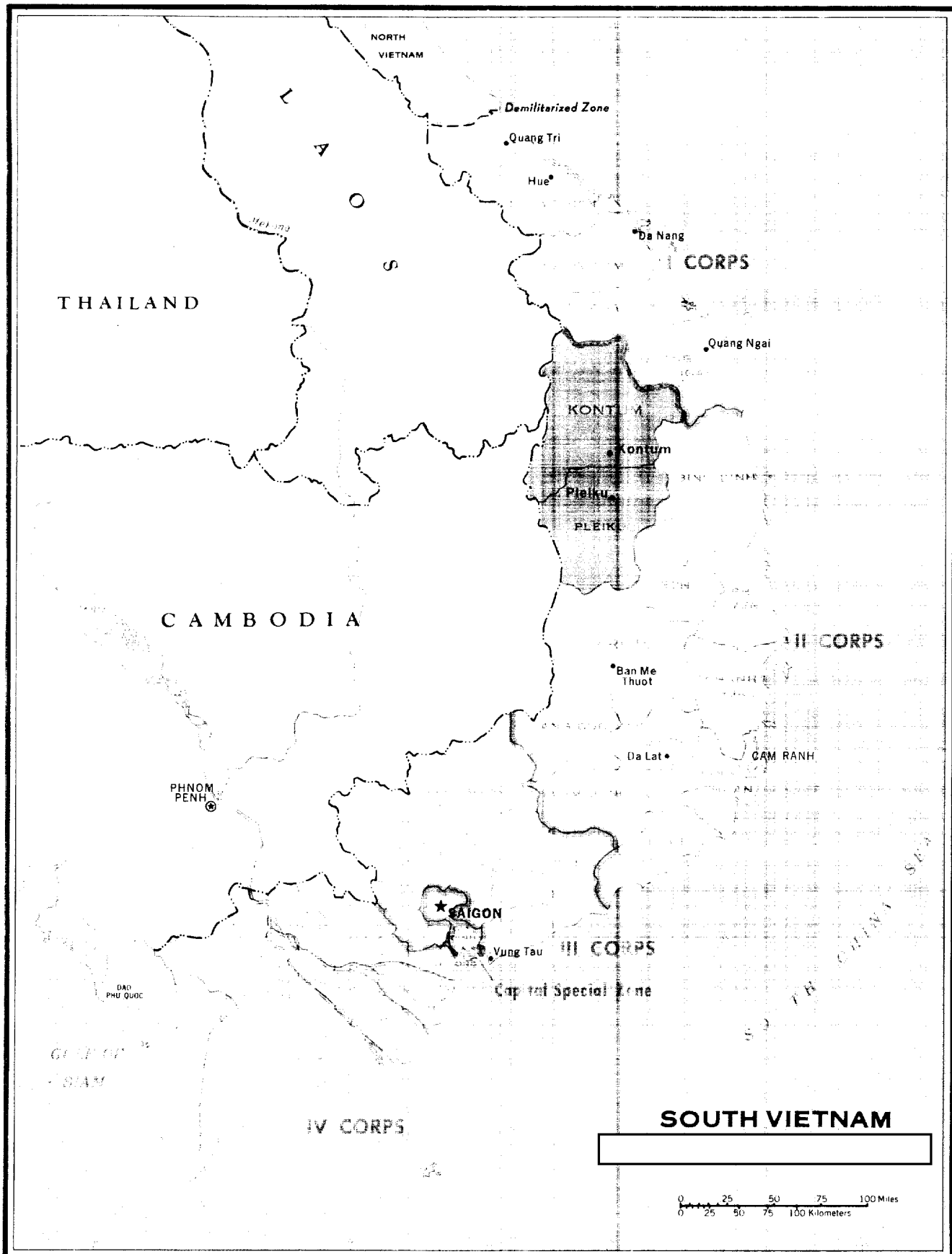
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[South Vietnam: Heavy fighting between allied and Communist forces broke out over the weekend throughout much of the northern half of the country.

The long-anticipated Communist campaign in the western highlands began on 25 May with a series of artillery and rocket barrages against allied outposts in Kontum and Pleiku provinces. At least two follow-up ground assaults were reported and more are expected as the Communists attempt to determine the reaction of the allied defenders.

Communist main force combat units under the direction of the B-3 Front--the enemy's over-all command authority in the western highlands--also struck allied lines of communication with mortar attacks and ambushes. This current Communist highland offensive is likely to be expanded to include additional key military installations and major urban centers, possibly including Kontum and Pleiku cities.

In the far northern provinces, more than 500 Communist troops were killed on 25-26 May, with large-scale encounters evolving for the most part as a result of vigorous allied sweep operations seeking out enemy troop concentrations and base areas. Yesterday, enemy artillerymen bombarded vital allied positions and installations near the Demilitarized Zone and along the coast of northern I Corps.

Renewed small-scale fighting also took place in scattered sections of Saigon this weekend; most of the activity, however, was restricted to the northern fringes of the capital city.

* * * *

Prime Minister Huong appears to have moved cautiously in selecting his cabinet.

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[The cabinet list formally accepted by President Thieu at weekend ceremonies contained no major surprises. The key portfolios of defense and interior were retained by military officers, generals Vy and Khiem, respectively. Vy is a holdover from the Loc cabinet and is close to the senior generals. Khiem, on the other hand, has apparently been brought back from an ambassadorial post to strengthen President Thieu's hand against pressures from Vice President Ky's military supporters.

Huong took the revolutionary development slot himself in an apparent effort to avoid a hassle over this politically sensitive post. He had experienced difficulty finding a candidate who would be acceptable to the military establishment but who would, at the same time, work to curtail its influence in this area.

The new cabinet favors technicians, many of whom have served in previous governments, over politicians with organized supporters. With nine of the 18 ministers clearly identified as southerners, the Huong cabinet has a stronger southern flavor than its predecessor, a development not likely to sit well with Ky and other northern generals.



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[France: The harsh stance of France's largest union in negotiations on worker demands has dimmed prospects for any early end to the strikes.

Despite wage concessions granted to striking workers in government-union-industry negotiations yesterday, Secretary General Georges Seguy of the Communist-dominated General Confederation of Labor charged that the government had failed to "comprehend the discontent" of the workers. Seguy, who complained that union demands for reduced working hours and a sliding wage scale had not been met, may be attempting to sabotage the negotiations. The unions, most of which would like to see the Gaullist era ended, could blame the government if the talks failed and thereby erode support for De Gaulle in the June referendum.

Meanwhile, the threat of renewed violence looms as students begin a demonstration today in defiance of a government edict suspending the right of public assembly. The demonstration, which has been disavowed by the French Communist Party, was called to protest alleged "police provocation" in the bloody rioting of 24-25 May. Inasmuch as the students have adopted openly offensive tactics in attacking public institutions and police installations, the authorities have had to resort to use of force to restore order. The patience of the police and the Republican Security Companies is reported to be near the breaking point and more serious incidents have been avoided thus far only through extreme efforts by officers to restrain their men.

The response to De Gaulle's call for a referendum on a comprehensive program of reform continues to be negative. The French President's tactic for handling the crisis appears to be to assign Premier Pompidou the difficult task of handling the immediate situation while himself concentrating on a long-range plan to attack the underlying causes of the present discontent.

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Czechoslovakia-USSR: Moscow may be awaiting the outcome of the Czechoslovak central committee plenum on 29 May before deciding its next moves.

Neither Moscow nor Prague has yet commented officially on the results of Premier Kosygin's visit to Czechoslovakia. Kosygin returned to Moscow on 25 May, apparently without extracting any major concessions from Prague. He may have been mollified by Czechoslovak assurances that Prague will participate actively in the Warsaw Pact and the "international Communist movement," and by the measures taken to restrict the activity of non-Communists in Czechoslovakia.

Still unresolved, however, is the factional struggle within the Czechoslovak party. Moscow, which has indicated it wishes the Dubcek regime to rein in the party's liberals, may wish to delay committing itself to a course of action until after the Czechoslovak plenum discusses the pivotal issues of personnel changes and the calling of an extraordinary party congress.

The liberals within the Czechoslovak party may press for the removal of the conservative central committee members at the plenum itself. In any event, they will continue their demands that an early extraordinary party congress be convened. The conservatives, strengthened by the Soviet pressure on the Dubcek regime, recently have been more outspoken in criticizing the liberal trend and will maneuver at the plenum to counter the liberals' demands.

How the moderate Dubcek leadership handles these conflicting factions will determine to a large extent the future course of the party. Some reports have indicated that the party leadership would recommend that an extraordinary congress be convened in July, but Dubcek may now attempt to obtain a compromise agreement on a later date.

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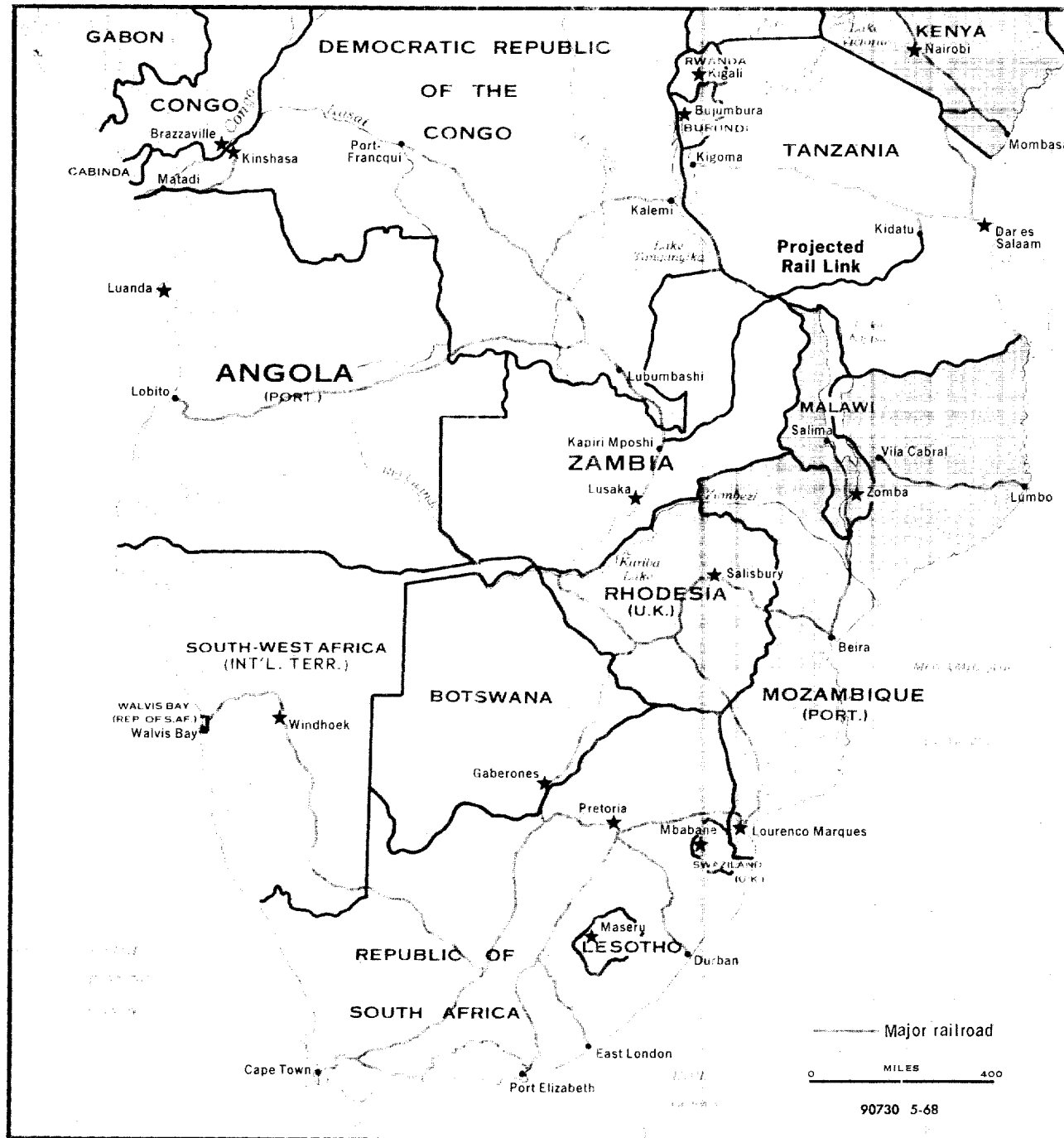
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THE TAN-ZAM RAILROAD



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Tanzania - Zambia - Communist China: The long-discussed Tan-Zam railroad project is now well under way with generous assistance from Peking.

Some 340 Chinese technicians who arrived in Dar es Salaam last month have begun a detailed engineering survey of the Tanzanian segment of the 1,000-mile railroad, designed to connect the Zambian copper mines with the port of Dar es Salaam. [REDACTED]

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This vast project is being built at minimal current cost to the Africans. An open-ended, interest-free loan covers the provision of Chinese equipment, material, and salaries. The Chinese will also provide under this loan commodities whose resale will defray all local expenses, including African wages and the living costs of Chinese personnel. International travel expenses for the Chinese are borne by Peking. It appears that the loan may be repaid, at least partially, in African commodities.

The speed and generosity with which Peking is approaching this project parallel its earlier economic and military aid efforts in Tanzania. The cumulative political effect has probably increased Peking's influence on Tanzanian policy. Dar es Salaam has taken a strong stand against the nonproliferation treaty and is leading a move at the UN to postpone further consideration of the treaty until the next regular session of the General Assembly. A Tanzanian Foreign Ministry official stated recently that one reason for his government's position was a desire not to antagonize Peking and thus possibly jeopardize Chinese aid. [REDACTED]

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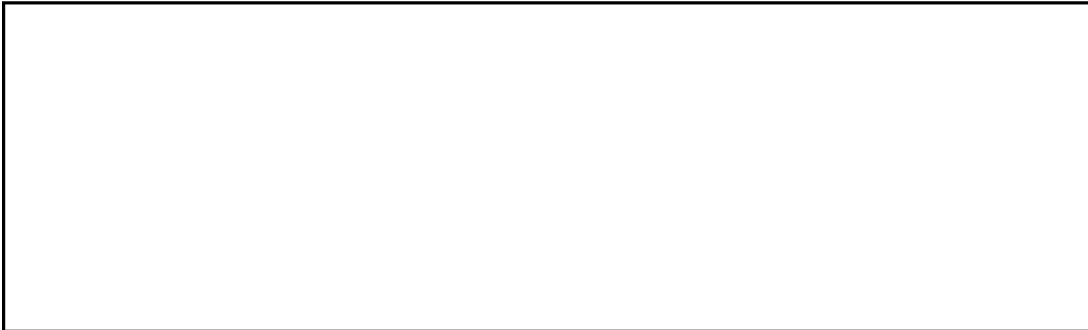
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Haiti: Duvalier will try to implicate the United States in last week's invasion at today's Security Council meeting.

The Haitians may charge that the US permitted the exiles to obtain aircraft and equipment in the US and tolerated anti-Duvalier broadcasts from US soil. The Haitian press has stated that four Americans piloted the attacking aircraft. The Haitians may also accuse Britain of allowing the exiles to use the Bahamas as the staging area for the assault.

Duvalier may be concerned that the exiles will stage a second round, although the exiles do not seem capable of such a move.



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